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DP/PROJECTS/7454

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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF INDIA

IPF:(1992-96) $156 120 000

(IND/93/004) - Automotive Parts Quality and Development Centre, Ludhiana

Date of approval by the AC:[1/]	17 February 1993
Expected duration:	Five years
Proposed executing agency:	Government of Punjab
Government implementing agency:	Department of Industries
Proposed UNDP contribution:	$ 4 194 000 Source of Funds:IPF
Total UNDP budget:	$ 4 194 000

Project background

Punjab has a predominantly agricultural economy providing about 24 percent of India's wheat and cotton and 10 percent of its rice. The per capita income of the state is the highest in India. However, with the increasing mechanization of agriculture and rapid population growth, employment in the sector has not been able to keep pace with the population growth. The Punjab economy has, therefore reached a stage where diversification has become imperative in order to tackle the increasing unemployment problem. To address the problem, the Punjab State Government in 1989 announced a special industrial policy supporting Small-scale industry (SSI). The average investment per small-scale unit is less than (Rs.) 100,000. However, more than five jobs are created for every (Rs.) 100,000 investment in small-scale industry compared to 0.5 jobs for similar investment in medium and large-scale industry. Small-scale industry therefore occupies an important position in the Punjab economy.

The State has about 175,000 SSI units employing 750,000 workers and with an annual production of (Rs.) 800 million. These SSI units account for 50 percent of the industrial production and 60 percent of exports from the State. 85 percent of all units manufacturing automotive parts in India are in the small-scale sector and account for about 50 percent of the total production. Out of about 5,000 SSI and ancillary units manufacturing auto parts in the country, about 2,000 are in Punjab. The strategy of the Government of India as well as the Punjab Government has been to promote common facility R & D Centres catering to different segments of SSI with the goal of inducting new technology, upgrading quality ,and training manpower.

Description of project

The immediate objectives of the project are to : (a) upgrade the quality and competitiveness of SSI units producing automotive parts to meet the specifications of the component suppliers and vehicle manufacturers; (b) reduce imports of automotive components and parts; and (c) establish an Automotive Parts Quality and Development Centre in Ludhiana.

The Centre will introduce quality assurance, material and component testing, design development and training facilities; and Statistical Quality Assurance(SQA) unit will be established within the centre to develop an SQA programme to be introduced in the SSI units. Engineers from the Centre will be trained to carry out SQA audits in the participating SSI

[1/] **This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee, modifications to the project/revision may have occurred subsequently.**

units; and they will assess results of the programme and make recommendations to the management of the companies on quality improvement measures.

Hands-on training facilities and programmes will be provided by the Centre for staff of the SSI units in fields such as material and component testing and design; and regular market intelligence will ensure that the methods introduced and products being produced are up-to-date with the requirements on the demand side.

At the end of the UNDP assistance, the Centre should be self-financing through contributions and service fees from the private sector. Eight staff will have been trained to carry out Statistical Quality Assurance and the SQA scheme will have been adopted and upgraded through regular visits to manufacturers, auditing the quality of their products and production equipment against set standards. Furthermore, the Centre will be fully equipped to carry out testing and product development and will have fully operational training facilities. Close contacts and interaction will have been established with the private sector in order for the Centre to accommodate its programmes and facilities to the changing needs of the industry.

Inputs

UNDP will provide 100 work-months of international experts; 100 work-months of fellowships, study tours and training workshops; equipment for test laboratories and common facilities and CAD equipment with relevant software; and miscellaneous costs.

Financial data

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Personnel	1 400 000
Training	500 000
Equipment	2 239 000
Miscellaneous	55 000
Total	4 194 000

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